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TO RUEHC/SECSTATE WASHDC IMMEDIATE 0033

INFO RUEHDL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUCNIRA/IRAN COLLECTIVE PRIORITY

RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY

RUEHFL/AMCONSUL FLORENCE PRIORITY 2966

RUEHMIL/AMCONSUL MILAN PRIORITY 9307

RUEHNP/AMCONSUL NAPLES PRIORITY 3115

C O N F I D E N T I A L SECTION 01 OF 02 ROME 000371

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TAGS: PGOV PREL PARM KNNP EUN IR IT

SUBJECT: ITALY ON IRAN SANCTIONS: MFA SUPPORTS IMMEDIATE
1803 IMPLEMENTATION

REF: A. STATE 29098

1B. STATE 29096

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Classified By: Acting Political Minister Counselor Jonathan Cohen for reasons 1.4 b and d

Summary

¶1. (C) Poloff met with MFA Non Proliferation Office Director Farruggia and Iran desk officer Kluzer in separate meetings on March 26 to urge swift Italian implementation of the financial provisions of UNSCR 1803 (Ref A and B). Both said Italy supported a common EU policy on UNSCR 1803 implementation at the earliest possible date and that Italy was also moving forward with plans for domestic implementation of UNSCR 1803. Kluzer said Italy's hold on additional autonomous EU actions on Bank Mellini and other entities would remain until Italy felt it was being properly consulted on Iran, but that this hold in no way precluded the creation of an EU common policy on 1803 implementation. End Summary.

Not to be confused with Italian hold on Bank Mellini

¶2. (C) Kluzer noted that the Italian hold on EU action on Bank Mellini and other entities in no way precluded agreement on a common EU policy on UNSCR 1803 implementation. In fact, Kluzer blamed the Slovenian EU presidency for confounding the two separate issues and packaging them in such a way that it had been impossible to take separate action on a common EU policy on UNSCR 1803 during the last GAERC.

Exercising Vigilance Already

¶3. (C) Kluzer and Farruggia emphasized that Italy was ready to implement UNSCR 1803 soonest. Kluzer and Farruggia noted that the Italian financial community was already exercising vigilance in its dealings with Iran and that the MFA would support the Bank of Italy issuing another advisory to the Italian financial community, similar to the one issued November 2007, informing of the call for increased vigilance contained in UNSCR 1803. Farruggia also said the Italian financial security committee (an interagency working group) would be meeting soon to discuss specific next steps.

Italian Red Lines: EU3 Process; Iranian Central bank; Oil and

¶4. (C) Farruggia and Kluzer both underscored the Italian objection to the current EU3 framework on Iran. Kluzer said Italy wouldn't lift its hold on EU autonomous actions on Bank Mellini and other entities until appropriately included in the decision making framework on Iran. Farruggia was slightly more optimistic hinting that the upcoming Italian elections (April 13/14) would likely bring back a center-right government that would be more eager to take action vis-a-vis Iran. Both Kluzer and Farruggia noted that while Italy appreciated the March 24 post-P5 1 briefing which was delivered to MFA Political Director Terzi in Brussels, it was not sufficient. Both noted that the Italian position remained clear, as articulated by Terzi in his conversation with A/P Fried in Brussels: Italy would not accept being briefed on P5 1 decisions "after the fact", but rather expected to be "consulted" before P5 1 meetings and hoped in particular to be consulted prior to the next P5 1 political directors meeting in Shanghai in mid-April.

¶5. (C) Farruggia and Kluzer pointed out the language in the FinCEN advisory that specifically references the Iranian Central Bank. While they understood that it followed logically from the UNSCR 1803 language which references all banks domiciled in Iran, they noted that for Italy the Iranian Central Bank is a "BIG" red line. It would be financial suicide for Italy to advocate or take any action against the Iranian Central Bank because doing so would result in a forfeiture of the three to four billion euros of outstanding credit SACE still has with Iran. Kluzer added that sanctions against the Iranian oil and gas industries represented a further red line for the current Italian government and any probable successor.

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¶6. (C) Comment: While the MFA appears ready to implement UNSCR 1803, Italy is unlikely to go beyond its requirements. Nor is Italy likely to support further EU actions which go beyond the three UNSCRs until/unless they feel appropriately included in the decision making process. It remains unclear whether, if included, Italy would be more cooperative. Conversations at the working level indicate that tensions within the MFA on Iran are high and that FM D'Alema is personally driving Italy's Iran policy.
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